

Message Text

LIMITED OFFICIAL USE

PAGE 01 VIENNA 01706 221633Z

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 ABF-01 FS-01 PA-01 /089 W
-----117616 230148Z/13

R 221620Z FEB 78

FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 5270
INFO AMEMBASSY BONN
AMEMBASSY BERN
AMEMBASSY PARIS

LIMITED OFFICIAL USE VIENNA 01706

PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, AU
SUBJECT: FOREIGN EXCHANGE RATE DEVELOPMENTS

REF: VIENNA 00044

1. ON FEB. 21, THE DOLLAR HIT A NEW RECORD LOW OF AS 14.665 ON THE VIENNA EXCHANGE. THE PREVIOUS LOW HAD BEEN REACHED JAN. 4, AND THE HIGHEST RATE BETWEEN THE TWO LOWS WAS AS 15.44 ON JAN. 9. SIMULTANEOUSLY, THE DM HAS MOVED UP, RISING STEADILY FROM AS 718.45 (PER DM 100) ON FEB. 17 TO AS 719.80 ON FEB. 22. OVER RECENT PERIOD SWISS FRANC ALSO HAS RISEN VIS-A-VIS THE SCHILLING (REACHING AS 805.8 ON FEB. 22), WHILE THE YEN HAS BEEN DROPPING SLOWLY.

2. IN RESPONSE TO JOURNALIST'S QUESTION AS TO HOW AUSTRIA WILL REACT TO THE LATEST DISTURBANCES ON

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 01706 221633Z

INTERNATIONAL EXCHANGE MARKETS, FINANCE MINISTER ANDROSCH ADMITTED THAT NEW DOLLAR SLUMP CREATES DIFFICULT SITUATION FOR ALL COUNTRIES, INCLUDING AUSTRIA, BUT CONCLUDED THAT ADVANTAGES OF A HARD SCHILLING POLICY STILL OUTWEIGHED THE DISADVANTAGES. HIS REMARKS ALSO INDICATED THAT THE "HARD SCHILLING POLICY" AT PRESENT WAS BEING APPLIED MORE FLEXIBLY THAN EARLIER.

3. IN A SEPARATE CONVERSATION WITH REPORTERS, NEW NATIONAL BANK CHAIRMAN KOREN MAINTAINED THAT NO "DEFINITIVE STATEMENTS" COULD BE MADE ABOUT THE CURRENT SITUATION. HOWEVER, REFERRING TO THE RECOVERY OF THE DOLLAR FROM THE JANUARY LOW AFTER ENCOURAGING US POLICY STATEMENTS, KOREN EXPRESSED THE VIEW THAT THE LATEST LOW PROBABLY ALSO WOULD BE OVERCOME SOON. OVER THE LONGER RUN HE NOTED THAT THE VALUE OF THE DOLLAR WOULD DEPEND ON THE COURSE OF US ECONOMIC POLICY, NOTABLY ON IMPROVEMENT IN THE BALANCE OF PAYMENTS.

4. COMMENT. WHEN THE NEW, MORE FLEXIBLE HARD SCHILLING POLICY WAS FIRST OFFICIALLY INTIMATED IN DECEMBER, THIS WAS FOLLOWED BY HEAVY OUTFLOWS OF SCHILLINGS INTO DMARKS. HOWEVER, ON ONLY ONE OCCASION, IN EARLY JANUARY WHEN THE DOLLAR WAS NEAR ITS LOWEST, DID THE DM RISE ABOVE THE OLD INTERVENTION POINT. THE FOLLOWING DAY IT DROPPED BACK WITHIN THE OLD RANGE. NOW, AS THE DM AND SWISS FRANC MOVE UP AGAINST THE DOLLAR, THE EFFECTS OF THE MORE FLEXIBLE AUSTRIAN EXCHANGE RATE POLICY ARE BEING SEEN AND--AS HAS BEEN EXPECTED FOR SOME TIME--THE SCHILLING IS LAGGING BEHIND THESE UPWARD MOVEMENTS. WOLF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 01706 221633Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL TRENDS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978VIENNA01706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780083-0147
Format: TEL
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780225/aaaaavbw.tel
Line Count: 94
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d2769ed1-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 VIENNA 44
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3513421
Secure: OPEN
Status: NATIVE
Subject: FOREIGN EXCHANGE RATE DEVELOPMENTS
TAGS: EFIN, AU
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/d2769ed1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014